

# **Lithuania, Latvia and Estonia's aspirations to integrate with NATO and the EU in the context of these countries' relations with Russia**

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## **Theses**

1. Membership of NATO and the EU is a priority of the foreign policies of Lithuania, Latvia and Estonia. The main stimulus that drives these membership aspirations is the will to ensure the security of these countries and to ultimately separate them from the post-Soviet space. Additionally, the authorities of the Baltic States believe that membership of both these organisations will make their countries more attractive for Western investors.

The way to implement these priorities is not only through consistent adjustments to the standards prevailing in NATO and the EU, but it also involves refusing to join the post-Soviet structures and seeking out states that are willing to strongly support the Baltic States' aspirations. The implementation of this policy has resulted in the status of the Baltic States' preparations for membership in both international structures being assessed as good, and they are reckoned to be realistic candidates for NATO and EU enlargement.

2. Apart from integration with the Euro-Atlantic structures, another important objective of the Baltic States' policy is to develop good relations with their neighbours, including Russia. However, at the moment the Baltic – Russian relations appear to be fairly frigid. Diplomatic contacts are sporadic, especially between representatives of the highest authorities. Only the Lithuanians manage to sustain dialogue with Russia, but this dialogue brings scarcely any results for either party. The Baltic States' authorities seek to intensify their diplomatic contacts with the eastern neighbour not only for economic reasons, but also because of their NATO and EU membership aspirations. One of the most urgent problems in Baltic – Russian relations is the legal resolution of the issue of borders between Russia and Lithuania, Latvia and Estonia. As far as the signature or ratification of the respective treaties is concerned, the only thing missing at the moment is the positive decision on the part of the Russian Federation.

The maintenance and development of good relations with Russia is important for the Baltic States also because of their economies' dependence on continuous supplies of Russian energy raw materials. Lithuania, Latvia and Estonia also seek to make sure that Russian oil and oil products continue to be transited via the Baltic ports to the West. Such transit is a major source of income for the three Baltic States.

3. Even though the Russian authorities appear to have alleviated their policy towards the Baltic States during Vladimir Putin's

presidency, Russia is still endeavouring to keep the Baltic States within the sphere of its political and economic influence. This policy is not identical to the policy which Russia implements in its relations with the CIS states, as it aims rather to make the Baltic States a buffer zone to separate Russia from the space dominated by the Western countries. This manifests itself most obviously in Moscow's persistent refusal to give approval to the Baltic States' integration with NATO.

4. For Russia, the most effective way to impede the Baltic States' endeavours to separate themselves from the post-Soviet zone is to implement the policy of strengthening the economic position of Russia within the Baltic States, which was developed back in the times of Boris Yeltsin's rule. Today, this strategy is being implemented mainly through the Russian companies' participation in the privatisation of the Baltic States' strategic enterprises. Russia also continues to implement its policy of discrediting the Baltic States on the international scene, trying to present them as an unstable region full of ethnic tension and ruled by the criminal world. Moscow places most emphasis on the problems of the Russian ethnic minority, pointing to the necessity to protect the rights of its compatriots who involuntarily became inhabitants of Lithuania, Latvia and Estonia. Even though international institutions that guard the maintenance of human rights generally consider the Baltic States' legislation on minority problems to be compliant with EU standards, Russia challenges these opinions.

5. Since the prospects of the Baltic States' membership in the EU are realistic, Russia is striving to secure its interests involving the Kaliningrad Oblast, which will be surrounded by the EU states in the future, and the rights of its citizens following the Baltic States' accession to the Schengen treaty. Russia's main goals include securing abatements for civil, military and cargo transit to and from Kaliningrad, or even obtaining a special status formula for the Russian enclave.

The Lithuanian authorities are aware that with regard to this aspect of Russia's policy, Lithuania occupies a special place as the country that directly borders the Kaliningrad Oblast. In order to avoid pressure from Russia, the Lithuanian authorities seek to involve the EU in the dialogue with Moscow on the future of the Kaliningrad Oblast, the objective of which is to prevent the isolation of the enclave following EU enlargement.

## 1. Goals of the Baltic States foreign policies

The strategic goal of the foreign policies of Lithuania, Latvia and Estonia is NATO and EU membership. The main stimulus that drives the Baltic States' actions aimed at integration with both NATO and the EU is the will to ensure these countries' security and to separate them from the post-Soviet zone as soon as possible.

The Baltic States applied for NATO membership in 1994, and one year later they signed the treaties of association with the EU. For the last two or three years, Lithuania, Latvia and Estonia's efforts to achieve membership of NATO and the EU were the most important factor that determined their respective foreign policies.

It is a significant fact that among the major political groups of various orientations in the Baltic States there are none that question these basic foreign policy goals. Since the time they applied for NATO membership, all governments have maintained that they were committed to sustaining the main priorities of their foreign policies. These priorities have also been endorsed by successive presidents in their annual proclamations. The determination of the Baltic States' political elites in the face of integration with the Euro-Atlantic structures manifests itself mainly in the manner in which they have been carrying out the transformations of their respective countries' systems of government. In the course of this process, the Balts were chiefly implementing Western standards, trying to adjust each of the important areas of state administration and the economy to the standards prevailing in the EU. They were also trying to align their security and defence practices with the standards of the NATO member states. Having defined their strategic goals, the Baltic States have consistently emphasised their readiness to participate in any international initiatives undertaken under the auspices of NATO and the EU. They have also adopted the policy of "maximum anchoring" in Europe and the Western world by successively acceding to various Western institutions. At the moment, the Baltic States are members of most of the major international organisations such as the Council of Europe, WTO et al., through which they seek support for the idea of NATO and EU enlargement.

Even though all three Baltic States mention the necessity to develop good relations with neighbours as one of their strategic goals, in the case of Lithuania, Latvia and Estonia's relations with Russia this provision in practice remains dead. Russia avoids dialogue with the Baltic States, especially with Latvia and Estonia, as a result of which the authorities of these countries are

not able to achieve final solutions for any of the bilateral relations issues, including the granting of Russia's consent to the final resolution of the border problem that is of great importance for the Baltic States' Euro-Atlantic aspirations.

## Action for NATO membership

The first development which enabled the Baltic States to start their endeavours aimed at membership of NATO was the withdrawal of the Russian armed forces from the territories of the three already independent republics as a result of successful negotiations<sup>2</sup>. Only then could the Baltic States officially apply for NATO membership, which they did in 1994 and which was followed shortly by their accession to the "Partnership for Peace" initiative. Since the moment they applied for membership, Lithuania, Latvia and Estonia have been making intensive efforts to accelerate their admission to NATO and to build up international support for the idea of the inclusion of the Baltic States into the Alliance.

The authorities of these states not only energetically solicited international support for the idea of enlargement, but also insisted on the definition of specific conditions to be met by the candidates, as was the case with the EU membership negotiations. The comprehensive diplomatic action included intensive contact with the authorities of NATO states and participation of the Baltic States' representatives in international conferences devoted to the issues of the Alliance enlargement.

In 1999, during the Summit of the NATO member states in Washington, its participants approved the Membership Action Plan (MAP) which became the sole instrument to evaluate the status of the preparations of the countries aspiring to NATO membership<sup>3</sup>. Performance of the obligations set out in the MAP gives the Baltic States an argument to support their claim that they are successively adjusting to NATO standards. They can also argue that as regards enlargement, the only thing they still miss is the positive political decision on the part of the Alliance's member states. Among the three Baltic States, Lithuania shows the greatest determination to integrate with NATO: it modernises its armed forces and increases its defence budget at the highest rate. Undoubtedly, the gradual increasing of defence expenditures to 2 per cent of GDP per year is the most important obligation towards the NATO states<sup>4</sup>.

The Baltic States actively join initiatives which aim to improve security in Europe, in particular those undertaken to stabilise the

situation in the Balkans. Their commitment to supporting NATO military and civil personnel in peace operations dates back to 1996 when the soldiers from the three Baltic States first joined the SFOR and KFOR missions.

Apart from modernising their armed forces, the Baltic States actively seek opportunities to co-operate with NATO member countries in order to be better prepared for their prospective membership and to solicit support for the second wave of enlargement of the Alliance. Each of the Baltic States pursues its own policy of seeking supporters of its membership among the Alliance member states. Lithuania is the most active in this respect and has managed to establish a strategic partnership with one of the Alliance's members, Poland. The politicians of Lithuania, Latvia and Estonia are activating their national diasporas, mainly in the US, in order to exert pressure on US politicians. These efforts are proving effective: today, the US is the most influential ally of the Baltic States and a supporter of the idea of NATO enlargement. (Nevertheless, in the US there are also communities that call for caution with regard to further NATO enlargement.) All three Baltic States also count on support from Germany and Denmark.

The process of privatisation of enterprises that were of strategic importance for the Baltic States' economies, which started in the late 90s, afforded an opportunity to achieve a new political goal, i.e. to attract foreign investors. Apart from obvious economic benefits, Western investments were to provide a counterbalance for the political and economic influence of Russia that was building up in the Baltic region and to make sure that the West is interested in the stabilisation of the region. The supporters of this concept, i.e. the right wing authorities of Lithuania and Estonia in particular, promoted American capital as the only one able to provide a real counterbalance for the Russian influence in the Baltic States region. It was expected that support for the US companies' economic interests will entail the US authorities' support for the Baltic States' NATO membership aspirations.

The right wing authorities implemented the concept of attracting Western investments with such determination that they even accepted unfavourable formulas of agreement with Western investors, who were selected without prior tenders. It is worth noting that these efforts of the Baltic States' governments met with support from the US authorities. The most vivid example of the implementation of the idea of "naturalisation" of the Western capital's interests in the Baltic region was the agreement concluded between the Lithuanian authorities and the Williams com-

pany of the US. The 1999 agreement provided for the sale of 33 per cent of the shares of the Mazeikiu Nafta oil concern that was of strategic importance for the Lithuanian economy. The Americans' commitment failed to bring the expected economic results: the Lithuanian – American oil concern Mazeikiu Nafta still generates losses and its American management board has not been able to come to an agreement with the Russian companies with regard to the supplies of oil.

The authorities of Estonia have tried to implement a similar variant of privatisation, as they intended to sell 49 per cent of shares of the two power plants in Narva to the US investor, ENG Energy. However, the opposition and many experts found the preliminary agreement controversial and unfavourable for the state. As a result, the departing government of Mart Laar terminated it in mid January 2002.

## Aspirations to EU Membership

In order to integrate with the West within the shortest time possible, the Baltic States have considerably accelerated the process of negotiations with the EU in the recent years. This was possible because of the previous economic reforms such as the introduction of a market economy, enfranchisement of citizens, initiation of the privatisation process, et al. The Baltic States have also been making efforts to create a new image for themselves – that of rapidly developing democratic states delivered from their Soviet inheritance. In this respect, the activities of Estonia were the most effective. Estonia was also the first to start the process of negotiations with the EU, which commenced on March 31, 1998. Owing to its contacts with the Scandinavian countries, in particular with Finland, which provided the Estonian authorities with ready models of political and economic transformations, Estonia found itself in the group of states that are considered by the European Commission to be best prepared for EU membership. At the moment (March 2002), the Estonians have closed as many as 24 of the 31 negotiations chapters and in further negotiations they intend to focus mainly on the seeking of the most favourable possible terms rather than hastily closing successive chapters.

Even though Lithuania and Latvia initiated the process of their negotiations with the EU as late as February 15, 2000, over the last year they have considerably intensified their activities. Lithuania has closed 24 negotiations chapters and Latvia has closed 23. The governments of the three Baltic States intend to

complete the entire negotiations process by January 1, 2003 in order to become members of the EU in 2004.

The Baltic States get positive feedback from the European Commission, which in its annual report of November 13, 2001, confirmed the good status of the Baltic States' preparedness and stated that they have a chance of becoming members as soon as 2004. The Baltic States' hopes for EU membership were endorsed again by the final document of the European Union's summit in Laeken in December 2001. The document contained a list of 10 EU candidate states, including Estonia, Lithuania and Latvia, which had a chance to become members in 2004, provided they maintained the present rate of negotiations and reforms.

Even though the general opinion of the status of the Baltic States' preparations for EU membership is good, relations between Brussels and Lithuania are still troubled by the problem of the Ignalina Nuclear Power Plant. The EU firmly insists that this power plant should be closed down because, from the viewpoint of construction, it is the same type as the Chernobyl plant. The Lithuanian authorities, regardless of their political affiliation, keep postponing the decision to completely close down the Ignalina plant. This power plant provides approx. 80 per cent of Lithuania's electricity and enables the country to profit from exports. Closing it down would require huge amounts of funding, which Lithuania does not have<sup>5</sup>. Nevertheless, the Lithuanian authorities are aware that even though the EU cannot formally make its consent to admit Lithuania conditional on the latter's obligation to close down the Ignalina plant, the firm stand of the highest EU officials shows clearly that negotiations with Lithuania will not be completed until the decision to close down Ignalina by 2009 is taken<sup>6</sup>.

## 2. The Baltic States' interests involving the Russian Federation

From the point of view of the foreign policy priorities pursued by the Baltic States, the necessity to ultimately regulate the relations with Russia appears to be particularly important, as the latter country is their closest neighbour and the only state with which the basic regulations are still missing. This absence of a comprehensive and formal regulation of the relations with Russia (recognition of borders) may become an obstacle impeding the attainment of the Baltic States' strategic goals in the future, even though formally neither the Washington Treaty nor the Schengen

Treaty impose requirements that state aspiring to membership of NATO and the EU should have their borders finally regulated. At the present stage of negotiations, the international organisations appear to be accepting the fact that the border lines between the three Baltic States and Russia are preliminarily drawn and that the borders are protected in compliance with European standards. Nevertheless, the traffic between the Baltic States and Russia is impeded because the crossing of borders is subject to visa procedures. Concessions were granted only to the inhabitants of the Kaliningrad Oblast who may cross the border with Lithuania without visas, based on ordinary identity documents. Even though Russia does not officially use the argument of final border agreements with the Baltic States to restrict their Euro-Atlantic aspirations, it may try to emphasise this problem in the international forum in connection with other issues that it has been exploiting, such the rights of the Russian-speaking ethnic minority in Latvia and in Estonia, the broadly understood transit to and from the Kaliningrad Oblast through Lithuania, and the Baltic States' waiver of the financial claims for indemnity from losses incurred during the Soviet occupation.

## Borders

Among the three Baltic States, only Lithuania has managed to sign the agreement on demarcation of the state border with Russia (October 1997). The problem is not solved completely though, because the bilateral agreement has been ratified by the Lithuanian parliament only<sup>7</sup>. The Russian State Duma has been postponing ratification, as a result of which the Lithuanians have to continue their efforts to finally solve the issue, like the Latvians and the Estonians, with whom Russia has not even signed similar treaties and continues to postpone the signing.

The Baltic States have already exhausted the realistic capacity of by themselves of inducing Russia to negotiate the borders issue, especially since the diplomatic contact of the Latvians and Estonians with Russia are fairly scarce. Inter-government commissions meet only a few times a year (in the case of Latvia they do not meet at all), and their meetings fail to produce any significant solutions. For several years, the Latvian and Estonian authorities have been struggling in vain to increase the frequency of official contacts at the highest level. As regards the slightly more viable Lithuanian – Russian relations, the official visits of both the President and the Prime Minister of Lithuania to Moscow in 2001 failed to introduce a new quality into bilateral relations

and the issue of ratification of the border treaty was not even mentioned.

The fact that Russia evades negotiations on the signing of border treaties serves to emphasise that its relations with the Baltic States are frigid and to create the impression on the international scene that there are problems in the mutual relations. One could say that this kind of policy is mainly an expression of Russia's refusal to accept the Baltic States' aspirations to become members of NATO.

## Raw material dependence and the transit issue

The Baltic States' permanent problem, which is also important from the point of view of their endeavours to obtain invitations to join NATO and the EU, is the economic dependence of Lithuania, Latvia and Estonia on Russian supplies of energy raw materials. The three countries are one hundred percent dependent on supplies of Russian gas and oil<sup>8</sup>. The efforts made so far to at least partly end the energy dependence on Russia have failed. Today, even the most anti-Russian elites in the Baltic States tend to realise that there is no alternative to Russian energy raw materials, which are cheap and are frequently sold on preferential terms. The most vivid example of the failure of the policy to seek Western supplies of raw materials irrespective of costs was the decision to build the expensive oil terminal in Butinge in Lithuania, taken by the Lithuanian right-wing groups in the early 90s. Although the newly built terminal enabled Lithuania to accept oil sent from the West by sea, the country could not afford to keep buying large quantities of Western raw materials at world prices. Consequently, instead of handling the import of Western oil, the terminal survives only by exporting the Russian oil to the West. Paradoxically, the terminal which was supposed to make Lithuania independent continues to consolidate the presence of Russian capital.

At the moment, there is no-one in the political elites of the Baltic States who would question the fact that it is in the three Baltic States' best economic interests to secure permanent supplies of energy raw materials from Russia. These supplies are the foundation of the economies of Lithuania, Latvia and Estonia, and it is owing to them that the strategic facilities of these countries, such as the Baltic States' only oil refinery in Mazeikiai, Lithuania, the largest port and oil terminal, Latvia's Ventspils, as well as smaller ports and terminals like the ones in Klaipėda, Butinge or

Tallinn, can continue to operate. The functioning of these facilities is closely connected with the transit of Russian oil and oil products through the territories of the Baltic States and with the export of these materials via the Baltic ports. Russian transit, not only of raw materials but also of goods, through the Baltic States is also an important source of permanent revenues for Lithuania, Latvia and Estonia<sup>9</sup>, even though the launch of the first part of the oil terminal in Primorsk near St. Petersburg by the Russian authorities, which took place towards the end of December 2001, may cause a reduction in the income of the Baltic terminals'.

### 3. The Russian Federation's interests involving the Baltic States

During the rule of Boris Yeltsin, as well as in the early period of Vladimir Putin's presidency, Russia was consistently and firmly opposed to the Baltic States' membership of NATO. The reasons why Russia objected to the admission of the Baltic States into the Alliance included the fact that these countries had been part of the USSR, and Russia perceived them as a permanent element of the post-Soviet space. At present Russia still refuses to accept the Baltic States' potential membership of NATO but its rhetoric of hard objection is now less strict.

The important reasons why the Baltic countries remain within the sphere of interests of Russian business, irrespective of the political situation in Russia itself and in the Baltic States, are economic. In the Baltic States the mechanisms of market economy have been in place for ten years, which makes these countries reliable economic partners. The considerable stake that the Russian business has in the economies of these countries means that following the enlargement of the EU, Russia will gain easier access to EU markets.

From Moscow's point of view, it is also important that the Baltic States possess industrial infrastructures, and in particular the well equipped, deep and year round ice free seaports that form an important link for the Russian exports of oil and oil products. The largest Baltic port, i.e. the Latvian port of Ventspils, handles 11 per cent of the Russian oil exports<sup>10</sup>. The distance from the Russian border to the sea is shorter than, for example, in the case of Ukraine, which reduces the costs of transit. The fact that there are several ports in these countries enables Russia to negotiate favourable tariffs and to stimulate competition among the Baltic

ports. The newly launched terminal in Primorsk, much shallower and subject to freezing up in winter, will surely not be able to take all of the oil transit business away from the Baltic ports.

### The Kaliningrad Oblast issue

The problem of the Kaliningrad Oblast's future has an important effect on the process of NATO and EU enlargement and on the admission of the Baltic States. This refers in particular to Lithuania, which directly borders the Russian enclave. Due to the location of the Kaliningrad Oblast, which is separated from the territory of Russia proper, Russia cannot afford to give up co-operation with Lithuania completely, because the territory of the latter is the shortest and most cost-effective land route that provides contact with the enclave. Apart from the fact that the Russian ethnic minority in Lithuania faces no major problems, the presence of the border with Kaliningrad is the factor owing to which Russia's relations with Lithuania are slightly better than its relations with Latvia or Estonia.

In the context of Lithuania's prospective membership of NATO and the EU, the issue of human and cargo traffic to and from the Kaliningrad Oblast remains particularly important. The necessity for Lithuania to implement the Schengen Treaty which regulates human traffic by July 2003 will certainly generate impediments to transit. But the Lithuanians fear that the introduction of visas could reduce the profits that Lithuania derives from human and cargo transit to and from Kaliningrad. Therefore, the Lithuanian side wants to retain the concessions on visa procedure to which the inhabitants of the Kaliningrad Oblast are entitled, which is in line with Russia's expectations. For this reason, Lithuania seeks to develop a system of visa procedure concessions for the Oblast inhabitants.

Another important issue for Russia is the transit of Russian military and hazardous cargoes through the territory of Lithuania. Russia is endeavouring to get Lithuania to sign a long term bilateral agreement on military transit with Russia before Lithuania's accession to the EU. While Lithuania is willing to negotiate solutions for civil transit that are approved by the EU following possible discussions with Russia, its position with respect to Russia's military transit is fixed. At the moment, transit of military and hazardous cargo takes place by train, in compliance with the terms established by the Lithuanian party exclusively, based on the agreement of 1993 which specified the procedure for withdrawing the Russian army from Lithuania<sup>11</sup>. The Lithuanians ex-

tend the validity of these terms each year and the Russians are notified of it. The Lithuanian authorities do not want any changes to the present mode of Russian military transit and endeavour to have the problems existing between Lithuania, the Oblast and Russia considered exclusively under EU legislation and to have Russia treat Lithuania as a future member of the EU and NATO who has its own obligations towards both these organisations. Lithuania stresses that the terms of transit communicated to the Russians were developed taking into consideration the standards in force in the EU.

In early April 2001, the Lithuanian media reported that Moscow had communicated a package of its demands regarding the future of the Kaliningrad Oblast to Brussels and Vilnius. What the Russians demanded was first and foremost the granting of a special status to Russia's civil and military transit to and from the Kaliningrad Oblast through the territory of Lithuania and the continuation of visa-free traffic following Lithuania's accession to the EU. Thus, Russia for the first time started to insist that the decision on Lithuania's membership of the EU should be considered in connection with the Kaliningrad Oblast issue. Faced with the Lithuanians' objection, the Russians also suggested that in return for the signature of a separate agreement on military transit, the Duma might consider the border treaty ratification issue. These kinds of suggestions were made most frequently several months before the Lithuanian President Valdas Adamkus' visit to Moscow in March 2001. Certainly, the issue of the border treaty ratification may be the argument that Russia will use most frequently in the negotiations in order to make sure that the terms of future relations between Lithuania, aspiring to EU membership, and the Oblast, are favourable for the latter. Such a position was presented on behalf of Russia by Dmitri Rogozin, Chairman of the Russian State Duma's Foreign Affairs Commission, during the meeting of parliamentary groups in Moscow in December 2001. He univocally linked the issue of ratification of the border treaty with Lithuania with the problems relating to the Kaliningrad Oblast that will arise once Lithuania's becomes a member of the EU<sup>12</sup>.

Undoubtedly, Lithuania tries to make the fact that it borders the Kaliningrad Oblast an asset in its negotiations with the EU by building its position as an intermediary in the relations between the EU and Russia with regard to the future of the Kaliningrad Oblast. It should be remembered that Lithuania and Poland are the only states that maintain consular agencies in the Oblast. The fact that this kind of informal status is there enables Lithuania to actively participate in international projects affecting the enclave,

which aim to involve this region in European co-operation. One of the major achievements of Lithuania's foreign policy in the recent years is the fact that the EU politicians largely take into consideration Lithuania's opinions and assessments in the international debate on the future of Kaliningrad. The Lithuanians have contributed considerably to the development of the European Commission's report entitled "The EU and Kaliningrad" (published in January 2001). Among other issues, this report reflected the Lithuanian authorities' opinions on the future of the Russian enclave<sup>13</sup>.

Kaliningrad and Lithuania are also dynamically developing regional co-operation<sup>14</sup> and commercial contacts. On June 13, 2000, the Council for Co-operation between Lithuania and the Kaliningrad Oblast was formed, it meets at least twice a year. In February 2000, Lithuania and Russia developed their joint proposals under the EU's Northern Dimension initiative, which aimed to ensure stability in the Oblast. These proposals provided for a large number of joint Lithuanian–Russian projects in the areas of economics, environmental protection, enterprise et al. Lithuania also tries to maintain its own dialogue with Russia by making proposals to its neighbour aimed at enhancing mutual confidence and thus improving security. It was Lithuania who marked the recognition of the inclusion of Kaliningrad into the Council of the Baltic Sea States' regional projects as a priority during its presidency of the Council in 1999.

## **The Russian ethnic minority problem**

In the Baltic States, especially in Latvia and Estonia, there are large populations of the Russian ethnic minority or the so called Russian-speaking minority. The members of these minorities have different formal statuses in Lithuania and Estonia, because in the early 90s Lithuania was the only state to treat national minorities in the same way as native Lithuanians and to permit all persons permanently residing in Lithuania to obtain Lithuanian citizenship irrespective of their declared nationality. One should remember, though, that in Lithuania the Russian-speaking minority accounts for as little as approx. 11 percent of the population, and of this, 8 percent are Russians. In Latvia and Estonia the percentage of the Russian-speaking minority in the total number of inhabitants is much higher. In Latvia, the minority accounts for approx. 40 percent of the population (with 32 percent being Russians) and in Estonia for approx. 32 percent (with 28 percent being Russians)<sup>15</sup>. The basic problem with the Russian-speaking

population is the fact that in Latvia and Estonia there still exist large groups of Russian-speaking people who are not Latvian or Estonian citizens. Of the 2.4 million population of Latvia, only 1.8 million are Latvian citizens. Over 500 thousand people have no citizenship at all. They are Russian-speaking and use separate passports with the entry alien, which are issued to people without any specific citizenship. Approximately 75 thousand are citizens of Russia or other countries of the CIS, most frequently Belarus. In Estonia, of the 1.4 million of inhabitants 1.1 million are Estonian citizens. 180 thousand people have no citizenship: these are Russian-speaking people who use separate passports for persons without citizenship. Approx. 20–30 thousand are citizens of Russia or other CIS states. While international institutions do not challenge the fact that Lithuania, Latvia and Estonia are fully democratic states, Russia continually tries to put to doubt, in the international forum, whether they fully honour minority rights. It should be emphasised that in the recent years, Latvia and Estonia considerably liberalised their initially rigorous ethnic minority legislation<sup>16</sup>.

Even though at the moment the Latvian and Estonian national ethnic minority rights legislation is compliant with EU requirements, Russia continues to accuse the Latvians and Estonians of breaching the Russian minority's rights. Moscow's vocal objections, frequently reinforced with protests of the minority's representatives who are especially dissatisfied with the scope of use of the Russian language, have been adversely affecting the international image of Latvia and Estonia, and prolonged the stay of the OSCE missions in Riga and in Tallinn.

The authorities of both Baltic States have adopted the policy of consistently complying with the OSCE's requirements. The breakthrough came with the amendment of the electoral regulations passed by the Estonian parliament in November 2001, which abolished the requirement that persons running for seats in parliaments and self-governments were obliged to know the state language. As a result of the Estonian parliament's decision, on December 13, 2001 the Permanent Council of the OSCE decided to close down the OSCE mission in Tallinn from 2002. The OSCE's decision to close down the mission in Riga, which was taken on the 18<sup>th</sup> of December, was a consequence of the declaration of Latvia's President Vaira Vike-Freiberga, who said that Latvia would pass an analogous amendment to its electoral regulations. The closure of both missions will surely deprive Russia of an influential argument which it has been using in the international scene to discredit the Baltic States but it is doubtful if the clo-

tures will abate Russia's protests. Shortly after the closing of both missions Alexander Alexeyev, Russia's OSCE representative, fiercely criticised this decision, calling it an extremely politicised and absolutely unmotivated step.

## 4. Russia's ways to secure its interests in the Baltic States

Faced with the Baltic States' intensified dialogue with international organisations, Russia developed the assumptions of its future policy towards this region back in the times of Boris Yeltsin's rule. The main objective was to keep the Baltic States within the sphere of Russia's influence. In 1997, acting at President Yeltsin's request, the Foreign and Defence Policy Council developed the "Long Term Concept of Russia's Policy Towards the Baltic States" which first and foremost recommended the reinforcement of Russia's economic position in Lithuania, Latvia and Estonia. The assumptions of this concept were based on economic pragmatism which replaced the former policy of threats that had prevailed in relations with the Baltic States. It should be emphasised that even though Russia has a new president now, the recommendations set out in this document are in fact being implemented even today. The difference is the fact that during Vladimir Putin's presidency, Russia no longer resorts to instruments of political pressure such as the blocking of energy raw materials supplies or economic sanctions, which used to be applied frequently in the past.

### Securing a stake in privatisation

At the moment, the basic instrument to implement the strategy of reinforcing Russia's economic position in the Baltic States is the taking over of control of these countries' strategic enterprises, especially in the power industry. In order to attain this, Russian giant companies are trying to actively participate in the privatisation process that is now in progress in the Baltic States. A vivid example of this practice is the gradual taking over of control of the Latvian gas distribution enterprise Latvijas Gaze by Russian companies. The gradual acquisition of Latvijas Gaze shares by the Russians, which started back in 1997, ruined the balance between Russian and Western shareholders which the Latvian authorities had designed. As a result of the successive instalments of selling blocks of shares in the Latvian gas enterprise's, the



Russian Gazprom concern and Itera Latvija, the Latvian–Russian company associated with Gazprom which acts as an intermediary in the import of gas to Latvia, acquired 49 percent of shares in this enterprise. Even though these two companies have still not jointly acquired a majority block of shares, Gazprom and Itera have six representatives in the eleven-member Board of Latvijas Gaze, while the remaining shareholders, the Western Ruhrgas and E.ON Energy, have five representatives. Thus the Russians exercise actual control over the Latvian enterprise.

Other examples of the reinforcement of Russia's economic position include the Russian companies' attempts to take over majority blocks of shares in Lithuania's strategic enterprises, i.e. the Mazeikiu Nafta oil concern and the Lietuvos Dujos gas distributor. The many years of efforts by LUKoil, which aimed to take over control of Mazeikiu Nafta, combined with interruptions of oil supplies to the Mazeikiu refinery, have failed. In spite of major financial losses, the Lithuanians stuck to the Western investor, the Williams company of the US, which was supposed to negotiate the supply of raw materials with the Russians. The uncompromising position of the LUKoil concern, which demanded a majority block of shares and the right to manage Mazeikiu Nafta, led to the complete failure of negotiations and opened the way for Jukos, another Russian oil company. In December 2001, Williams terminated the preliminary agreement with Jukos too because the Americans were dissatisfied with its terms and conditions. Both the Lithuanian authorities and the US investor are aware that the only realistic solution for Mazeikiu Nafta, which generates ever deeper losses, is an agreement on long-term supplies concluded with one of the Russian oil companies. Today it is difficult to foresee which of the Russian suppliers will ultimately become Mazeikiu Nafta's partner. However it is sure that the main objective of each of the Russian companies will be to take over a majority block of shares in the Lithuanian enterprise. The possible yielding to the pressure of any of the Russian companies would be a major step towards the dependence of Lithuanian economy on Russia.

Another chance for Russian business was afforded by the privatisation process of Lietuvos Dujos, the gas distribution enterprise, which was initiated by the Lithuanian authorities in autumn 2001. Even before the privatisation model of Lietuvos Dujos was publicised, Russia's Gazprom demanded a controlling block of shares in the enterprise. The Russian concern had a serious argument and at the same time an instrument of pressure, this being the low price which the Lithuanians pay for continuous sup-

plies of Russian material. Initially, it appeared that the left wing groups that rule Lithuania at the moment would yield to the pressure from Gazprom but the final version of the privatisation model, developed by the government of Algirdas Brazauskas, rendered it impossible for Gazprom to acquire a majority block of shares, at least in the first phase of privatisation. The enterprise's strategic shareholder is to be a Western investor, to whom the state has allocated 34 per cent of the shares. In the second phase, which is to start in summer 2002, Gazprom can acquire 34 percent of the shares through a tender. Following completion of the two phases of privatisation, the state will retain 24 percent of the shares. At the moment, it is difficult to foresee to whom it will sell its shares, but it is not precluded that as in Latvia, the buyer may be one of the companies closely associated with Gazprom.

Similarly, it is impossible to forecast today the course of the privatisation of the Latvian oil terminal in Ventpils, which is scheduled for 2002. It is, however, possible to assume that the fact that the Russians have launched the oil terminal in Primorsk will force the Lithuanian authorities to consider the participation of Russian oil companies in the privatisation of Ventspils. Only Russian investors will be able to ensure that the Ventspils terminal continues to export Russian oil in quantities similar to those exported today.

## Pro-Russian lobbies

Another important instrument of Russia's pursuits in the Baltic States is the local business lobbies associated with Russian business. The activities of these groups focus on the most important sectors of the Baltic States' economies, these being transit and transshipment of goods. The representatives of these financial and industrial formations gained the influence that they now exert mainly as a result of the so called "wild privatisation" process during which they took over major blocks of shares in important enterprises from various sectors of the economy in the first years of the Baltic States' independence. The money thus earned enabled them to establish new companies closely connected with the most profitable transit of Russian materials, i.e. gas and oil. The Russian companies held considerable shares in the intermediary companies established in this way such as Itera Lietuva, Stella Vitae, Itera Latvia or LUKoil Baltija.

In order to strengthen their influence, the Baltic companies created industrial and financial organisations such as the Corporation

of Western Lithuania, the Confederation of Industrialists of Lithuania, the Estonian Industrial and Commercial Chamber, and the Latvian Transit Business Association. They exert considerable influence on the authorities of particular Baltic States: their representatives directly or indirectly participate in the making of the most important political and economic decisions and finance the electoral campaigns of major politicians and political parties. This mechanism operates most overtly in Estonia, where in 1999 the Prime Minister Mart Laar signed a memorandum with representatives of the Estonian business organisations. Under this memorandum, private enterprises were granted the right to participate in the decision making process in such strategic areas of the economy as the energy and transport sectors, and to take part in the working of the state supervision bodies and governmental commissions, including in the process of formulating laws and bills. Even though the Estonian government claimed that this decision was motivated by its willingness to introduce more transparency and to simplify the state administration system, it is worrying that members of the financial organisations in question focus their activities mainly around the transit business, which is inseparably bound with Russian companies.

The business organisations have become more active over the last two to three years as the process of privatisation of the so called strategic enterprises gathered momentum. The participation of companies from these organisations in the privatisation process means that their Russian partners will also get involved, independently of the privatisation proposals made by the giant Russian companies such as Gazprom or LUKoil themselves. This situation is particularly favourable for the Russian businesses. In this way, the Russian companies can acquire more control over particular privatised enterprises, as they play a dual role of Eastern and local investors.

## Defamation campaign

Since the very moment of the Baltic States' declaration of independence, the Russian secret services have been taking measures to represent the Baltic States as an area of political instability and feeble democracies shaken by frequent political scandals. These efforts largely created a falsified reality. The methods used were typical for the Russian secret services and included leaks about Estonian "spies" and discrediting of politicians, mainly those from the right wing, both in terms of morality and their actual or alleged past involvement in espionage.

The activities of the secret services were combined with the Russian authorities' parallel negative campaign against the Baltic States, which went on during Yeltsin's presidency and continued in the era of Putin's rule. Its core consists of accusations that the Baltic States, in particular Latvia and Estonia, breach their Russian-speaking populations' rights. Russia levels such charges in the international forum, especially in the OSCE.

A convenient instrument, both for the covert activities of the Russian secret services and for reinforcement of Russia's official charges against the Baltic States, is offered by the Russian-language media in the Baltic States. Like the Russian press, they keep representing Latvia and Estonia as pro-Nazi countries that are full of ethnic tension and support Chechen terrorism. The publications also point out that in the Baltic States there are strong criminal groups that deal mainly with smuggling and the drug business. The media campaign was validated by the frequent protests of the active and well organised Russian ethnic minority, which were directed against the policy towards minorities implemented by the Baltic States' authorities, and these states' aspirations to join NATO and the EU. These activities ran parallel to the fierce protests of the Russian nationalist groups who demonstrated in front of the Baltic States' diplomatic agencies in Moscow, getting extensive coverage from the Russian media<sup>17</sup>.

Russia's efforts to create a negative reality make the Baltic States fear that at the moment at which the West will take the decision on Lithuania, Latvia and Estonia's membership of NATO and the EU is nearing, the campaign of provocation may heighten dangerously.

## The situation after 11<sup>th</sup> of September

The rapprochement between NATO and Russia, which followed the 11<sup>th</sup> of September terrorist attacks against the USA, was generally received in the Baltic States as a chance for the materialisation of NATO's eastward expansion. It should be noted that the authorities of the Baltic States took the opportunity afforded by the formation of the world anti-terrorist coalition to emphasise their readiness to co-operate with NATO on the same terms as other states which are members of the Alliance. To this end, Lithuania, Latvia and Estonia did not just express their univocal support for the military operation against the terrorists: Lithuania responded positively to the US's appeal to make available Lithuania's airspace for NATO operations, and the governments of Latvia and Estonia declared they would do the same if requested. The Baltic States' authorities not only emphasised their loyalty to

NATO, but also offered to actively support the international anti-terrorist coalition. The Lithuanian authorities' proposal to send a team of doctors to the Central and Southern Asia region with the Czech medical unit serves as an example of this.

Only initially did the improvement of the Russian-American relations arouse fears in the Baltic States that given the need to reshape the world security system, the NATO enlargement process might become lower priority. The question was asked whether Russia, the main opponent of NATO enlargement, will not make its participation in the anti-terrorist coalition conditional on the halting of the process of NATO's eastward expansion. Such fears were effectively alleviated by the assurances, coming mainly from the US, that NATO's gates remained opened. The Baltic States considered it a success that the House of Representatives of the US Congress supported the process of NATO enlargement<sup>18</sup>. The visit of the NATO Secretary General George Robertson to Moscow in November 2001 and the meeting of the Ministers of Foreign Affairs of the NATO member states held in Brussels in early December 2001 (as a result of which the possibility to make room for Russia in the North Atlantic Alliance was first considered) were received by the Balts as a major change in Russia's relations with NATO, which may have a positive impact on the Baltic States aspirations to NATO membership.

The fact that in the Baltic States there is no debate on the changing formula of NATO is worthy of note. Neither the statement of President Vladimir Putin, who said on the 3<sup>rd</sup> of October 2001 in Brussels that Russia will reconsider its position on NATO enlargement if the Alliance transforms itself into a political organisation, nor the further debates between NATO states and Russia which aimed at defining anew formula for co-operation between Russia and the Alliance, inspired the Baltic States' politicians to reflect on whether the new formula of NATO will really guarantee security for Lithuania, Latvia and Estonia. This attitude aims first and foremost to emphasise that whatever the situation, the Baltic States will not give up their efforts to become NATO members.

At the moment, the political elites and media in the Baltic States evidently seem to rely on the positive signals from the West with respect to NATO enlargement. It is also apparent that the politicians are unwilling to analyse Russia's attitude towards enlargement more thoroughly, which is meant to stress that the Balts believe the political decision on the Alliance's enlargement to be within the exclusive competence of the West.

In spite of this optimism, the authorities of the Baltic States are aware that even though Russia has abated its rhetoric of firm

objection against the inclusion of the Baltic States into NATO, it has not approved either. This is attested to by the fierce negative response of the Russian Ministry of Foreign Affairs to the information that the OSCE missions in Latvia and Estonia were to be closed down in December 2001. Noteworthy is also the new tone of the statements by President Putin who compared the situation of the Russian-speaking minority in the Baltic States with the situation of the Albanians in Macedonia in a television debate<sup>19</sup>. The most recent statements by the Russian authorities prove clearly that, as was said before, Moscow uses the issue of the Russian minority in Latvia and Estonia to discredit the Baltic States on the international scene and thus to impede their integration with NATO.

## Prospects

1. The temporary abatement of Russia's rhetoric of strict objection against the eastward expansion of NATO, which followed September 11, 2001, as well as the positive signals coming from the West, have made the Baltic States convinced that during the NATO summit in Prague in November 2002, Lithuania, Latvia and Estonia will be invited to join the Alliance. The fact that anew formula of NATO's co-operation with Russia is being developed certainly has not and will not weaken Lithuania, Latvia and Estonia's aspirations to membership of the Alliance. This is so because apart from NATO membership, these countries have no alternative way to ensure their security. The Baltic States have shown their great determination to become members of the Alliance by emphasising their loyalty to NATO after September 11 and by giving their unanimous support for the anti-terrorist coalition's efforts.

2. Even if Russia does not expressly object against the inclusion of the Baltic States into NATO, this does not mean that it will considerably change its present policy towards the Baltic States and give up its efforts aimed at keeping the Baltic republics within its sphere of influence.

As a way to protect its interests, Russia will surely continue to attempt to discredit the Baltic States on the international scene, and it may also take measures to destabilise the internal situations in the Baltic republics in order to impede their integration with NATO. To this end, it may take advantage of the presence of the Russian-speaking minority in the Baltic States and of the

media which this minority controls. Russia will surely also continue its negative campaign against Lithuania, Latvia and Estonia which it carries out in the international organisations such as the OSCE and the Council of Europe.

**3.** The consistent reinforcement of the giant Russian companies' positions in the Baltic States breeds fears that these countries' economic dependence on Russia may deepen, which, in turn, may affect these countries' policies, including the implementation of the Baltic States' foreign policy priorities, mainly their aspiration to join NATO and the EU.

A new problem that will affect the Baltic States' economic situations to a large degree is the set of Russia's initiatives aimed at ending its dependence on the Baltic ports, which includes the launch of the first part of the oil terminal in Primorsk. If Russia continues this policy, the authorities of the Baltic states will be forced not only to offer Russia new terms of transit of the Russian raw materials, but also to be more favourably disposed to Russian companies, mainly with regard to the privatisation policy. Thus, Russia will acquire one more significant instrument of pressure that will enable it to exert more influence on the economic policies of the Baltic States.

**4.** As regards the Baltic States' negotiations with the EU, the positive signals coming from Brussels seem to be well founded. The Baltic States will surely strive to maintain the present tempo of negotiations, because their determination to become members of the EU, like the NATO membership aspirations, is motivated by their ambition to obtain a security guarantee and to become members of the integrated Europe.

Lithuania faces the greatest challenge: in the negotiations it needs to obtain considerable financial support for the closing down of the Ignalina Nuclear Power Plant from the EU and to play an active role in Russia's dialogue with the EU on the future of the Kaliningrad Oblast in the context of EU enlargement.

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*Text completed in January 2002*

<sup>1</sup> Even though from the ethnic point of view, the Estonians do not belong to the Balts group, for simplicity, in this text the inhabitants of Lithuania, Latvia and Estonia will be referred to as Balts, and their three countries as the Baltic states.

<sup>2</sup> The Russian army left Lithuania in 1993 and Estonia in 1994. As regards Latvia, the Russian soldiers also left in 1994 but Latvia continued to negotiate the issue of the radar station in Skrunda which remained in its territory. The station was finally closed down in 1998 and the last Russian military base was wound up in 1999.

<sup>3</sup> MAP was supposed to assist the countries aspiring to NATO membership in their preparations. Under the MAP, the aspiring states develop annual preparations programs based on which the subsequent assessment is issued. Performance in compliance with the plan does not guarantee membership of NATO.

<sup>4</sup> Already in 2001, Lithuania spent 1.95 per cent of its GDP on this sector and it declares that in 2002, when the NATO summit in Prague is to take place, its military expenses will reach 2 per cent of GDP. Estonia has announced that in 2001, its defence expenditures will account for 1.8 per cent of GDP, to reach 2 per cent in 2002. Latvia has declared that it will spend 1.31 per cent of its GDP on the army in 2001 and in 2002 this amount will increase to 1.75 per cent of GDP. Expenditure of 2 per cent of GDP will be achieved by Latvia in 2003.

<sup>5</sup> On the occasion of discussions on the closing down of block 1, the Lithuanian experts preliminarily quoted the amount of approx. 2.5 – 5 billion Euro. It is still difficult to assess the costs of restructuring the town of Visaginas near which the power plant is situated.

<sup>6</sup> In May 2000, the Lithuanian authorities decided to close down block 1 of the Ignalina plant by 2005. This obligation was included in the National Energy Strategy. The issue of key importance remains the decision as to block 2. The Lithuanians wanted to postpone the final solution of this issue until 2004, hoping that by that time the EU would assume a specific obligation to pay the costs of the closing down operation for both blocks of the power plant and the broadly understood restructuring of the town of Visaginas, whose entire population exists thanks to the power plant. Nevertheless, the EU's strict demand induced the Prime Minister, the social democrat Algirdas Brazauskas to modify his attitude, even if before he was opposed to the idea of a rapid closing down of Ignalina. In November 2001, the Prime Minister said that Lithuania would take the decision as to the date of the final closing down of Ignalina as soon as 2002.

<sup>7</sup> October 1999. Even though the Latvians and Estonians have waived their territorial claims against Russia and the drafts of treaties were prepared, Moscow still refuses to sign them.

<sup>8</sup> The average consumption of gas in Lithuania is 3.2 billion m<sup>3</sup> per year.

In Latvia and Estonia it is 1.3 billion m<sup>3</sup> and 1 billion m<sup>3</sup>, respectively.

The consumption of oil in Lithuania is 68 thousand barrels per day, in Latvia it is 37 thousand and in Estonia 28 thousand. [www.eia.doe.gov](http://www.eia.doe.gov)

<sup>9</sup> Approximately 1/3 of the GDP generated in Estonia, Latvia and Lithuania is connected with the Russian goods and services market in this way or another. *Vneshnaya torgovlya*, 2/1999.

<sup>10</sup> [www.ventspils.lv](http://www.ventspils.lv), 02.01.2002.

<sup>11</sup> The agreements regulating the withdrawal of the Russian army from Germany via the territory of the Republic of Lithuania dated November 18, 1993 provided the Lithuanian government a basis for the establishment, in October 1994, of the terms on which the Russian transit through the territory of Lithuania is taking place now. These terms remain in force for a year but they may be extended annually. Transit of military and hazardous cargo and unarmed military personnel is conducted by trains exclusively. The term "military transit" does not refer to weapons of mass destruction (WMD) and nuclear, chemical and biological substances that may be used for the production of the WMD.

The transit of this kind of weapons and materials strictly prohibited. It is also forbidden to transport military personnel together with arms and equipment and to transport military personnel and cargoes of arms or military equipment in opposite directions at the same time. It is prohibited to carry weapons, arms military equipment together with ammunition or fuel. The total number of rail cars per day must not exceed 110. The total number of the Russian Armed Forces personnel crossing the territory of Lithuania at a time must not exceed 180 persons. The soldiers are prohibited to leave the train during the passage across the territory of Lithuania and they must be accompanied by a military officer.

<sup>12</sup> *Lietuvos Rytas*, 24.12.2001.

<sup>13</sup> This contribution to the discussion on the future of the Kaliningrad Oblast was the study entitled *Impact Assessment of Lithuania's Integration into EU on Relations Between Lithuania and Kaliningrad Oblast of Russian Federation*.

The authors were Pertti Joenniemi, Raimundas Lopata, Vlasdas Sirutavicius, Ramunas Vilpisauskas, *Lithuanian policy review*, 2000/2(6).

<sup>14</sup> Pursuant to the agreement of June 29, 1999 on the co-operation between regions of the Kaliningrad Oblast and Lithuania.

<sup>15</sup> Latvia, Estonia — *Statistical Yearbook 2000*.

<sup>16</sup> In 1998, following the referendum on the abatement of the citizenship law, the Latvian authorities abolished the system of the so called naturalisation "windows" under which the longer a person without citizenship had lived in Latvia, the longer she or he had to wait for naturalisation. Under the new provisions, all persons permanently residing in Latvia are eligible to apply for Latvian citizenship but they have to pass an exam testing knowledge of the Latvian language and the Constitution of the Republic of Latvia. Children of non-citizens that were born after 1991 are granted citizenship automatically.

In 1995, Estonia amended its law on citizenship under which persons who had held permanent residence cards in Estonia for five years, had a certain command of the Estonian language, knew the Estonian Constitution and complied with other minor requirements were eligible to apply for Estonian citizenship. In order not to deprive people who were permanent residents of Estonia before July 1990, i.e. before the issuing of permanent residence cards began, of the opportunity to acquire citizenship, it was decided that the duration of permanent residence may be calculated based on the Soviet address registration system that remained in force until July 1990.

<sup>17</sup> The majority of the most vocal protests of the Russian ethnic minority took place in Riga in spring 1998. The demands included first and foremost the amending of the law on citizenship. It was also the time when the Russian authorities introduced economic sanctions against Latvia. Action by the Russian minority was supported by Russian extremists, i.e. the National Bolsheviks of Eduard Limonov who vandalised the building of the Latvian embassy in Moscow in March 1998. Similarly vocal actions took place in June 2000 in Riga when the Russian-speaking population protested against the sharpening of the law on state language.

<sup>18</sup> The House of Representatives of the US Congress passed the resolution on this matter on November 8, 2001. A similar resolution was to be considered by the US Senate on December 19, 2001 but the decision was postponed until a later date as the issue required more in-depth discussion and debate.

<sup>19</sup> Putin said that the Albanians, who account for approx. 20 per cent of the population of Macedonia, have more rights than the Russian-speaking minority in Latvia, where they account for 40 per cent of the population.

*Gazeta.ru, Lenta.ru*, December 24, 2001.